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Change in Beef Cattle Outlook Affects Prospects for Milk Production After 1959

Up until World War II production of milk in the United States increased each year except in years of serious drought for the 1930's. Production expanded sharply from 1940 to 1942, and for the decade following was 114 to 117 billion pounds most years. The drop from 116 billion pounds or better in 1949 and 1950 to less than 115 billion pounds in 1951 and 1952 apparently was related to the sharp rise in beef cattle prices. This diverted some farm resources to meat animal enterprises, and at the same time brought about a stepup in the culling rate among milking herds, as well, probably, as a higher rate of decline in number of dairy farms. The sharp increase in milk production from 1952 to 1953 approximately equaled the expansion from 1940 to 1941 and apparently was associated with the beginning of a decline in prices of meat animals, especially cattle, although milk-feed price relationships also became more favorable than they were in 1951 and 1952. The leveling off of milk production in 1958 and so far in 1959 is related to the fact that numbers of beef cattle are showing further significant increases, current slaughter rates are continuing under a year earlier, and prices for several classes of cattle for slaughter have reached relatively high levels for this part of the cattle cycle, or are showing further gradual increases.

Outlook for milk production is influenced by an unusual development in the beef cattle cycle. The number of beef cattle reached a peak in January 1956, ending 7 years of increases, a customary period for this phase of the cycle. But the numbers declined only for two years, marking the shortest period of decline

ever experienced in records going back for more than 90 years. During 1958 the total number of cattle increased by $3\frac{1}{2}$ million head, and even a larger increase apparently is occurring during 1959. Barring widespread drought or some development outside the livestock industry to start a price decline, numbers of beef cattle may continue upward a few more years. In other words, the upturn in cattle numbers and stable prices for beef cattle probably will continue longer than appeared likely in the late summer of 1958. The effect of such a beef cattle prospect would be to continue the decline in both numbers of farms engaged in milk production and the total numbers of milk cows kept.

Developments in hog production and prices are not paralleling those for cattle; hog production has increased considerably this year. Prices already have declined by more than $\frac{1}{4}$ from a year earlier, probably will decline further in the fall of 1959, and will show little or no increase before the latter part of 1960 at least. But of these two factors, the influence of the cattle development will probably be the more important. As a result, production of milk in the United States

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CONSUMPTION OF DAIRY PRODUCTS CHANGED LITTLE

SO FAR IN 1959

Little can be said at this time about consumption levels of individual dairy products in 1959 because of the erratic fluctuations in monthly calculations of civilian disappearance. Indications are, however, that consumption of butter has been near that of a year earlier, while cheese consumption may have shown some increase over the first quarter of 1958. Evaporated milk consumption appears to be continuing the trend of recent years toward a still lower level. Use of this product has dropped off more than a third in the last decade. Output of all frozen dairy products except sherbert, so far this year has been significantly above 1958.

Last year the most noticeable change in the dairy consumption picture was the rise in consumption of cheese to a new record high level. A factor causing this increase presumably was the sharp rise in retail prices for meats. Monthly data so far indicate that another high consumption rate for cheese from commercial sources will be recorded in 1959. The increase apparently taking place in use of frozen desserts in all probability reflects the higher level of employment this year than last. For the year as a whole, consumption of these items is likely to be above 1958.



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	June 1959	May 1959	June 1958
Producers' Uniform Price (4%)	\$3.62	\$3.58	\$3.40
Class I (3.5%)	3.98	3.94	3.74
Class II (3.5%)	4.307	4.289	4.069
Class III (3.5%)	3.907	3.839	3.669
Class III (3.5%)	3.493	3.507	3.269
Class IV (3.5%)	2.873	2.887	2.847
Producer Butterfat Differential for each 1/10%	7.2¢	7.2¢	6.8¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	69.8	69.6	64.2
" " " B.F. " " I	69.1	68.2	65.1
" " " Milk " " II	7.9	7.4	7.0
" " " B.F. " " II	2.5	2.4	2.2
" " " Milk " " III	4.0	3.0	9.9
" " " B.F. " " III	6.0	4.7	16.3
" " " Milk " " IV	18.3	20.0	18.9
" " " B.F. " " IV	22.4	24.7	16.4

PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered	29,782,303	32,669,711	27,893,568
Average Daily Class I Producer Milk	692,796	733,114	597,364
Total Number of Producers	1,760	1,767	1,816
Average Daily Production per Producer	564	596	512
Average Butterfat Test	3.64	3.68	3.66
Total Value of Producer Milk at Test	\$1,213,036.61	\$1,329,775.39	\$1,076,981.53
Income per Producer (7 Day Average)	\$160.82	\$169.93	\$138.38

GROSS CLASS USE (Pounds)

Class I Skim	20,033,772	21,907,159	17,375,096
" I B.F.	750,110	819,374	665,121
" I Milk	20,783,882	22,726,533	18,040,217
" II Skim	2,323,255	2,376,484	1,936,950
" II B.F.	26,841	29,050	22,735
" II Milk	2,350,096	2,405,534	1,959,685

AVERAGE DAILY SALES (Quarts)

Milk	283,751	293,355	240,826
Buttermilk	7,199	6,324	6,123
Chocolate	13,845	16,813	10,121
Skim	11,244	12,265	8,661
Cream	8,309	8,379	7,552

COMPARATIVE STATISTICS ★

COLUMBUS MARKETING AREA

★ **JUNE, 1950-59**

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1950.....	20,585,120	3.96	59.9	29.6	10.5	—	3.51	3.708	3.308	2.982	—	2,089	329
1951.....	21,773,407	3.89	57.7	30.0	12.3	—	4.32	4.866	4.466	3.720	—	2,105	345
1952.....	22,687,971	3.84	63.4	30.0	6.6	—	4.12	4.382	3.982	3.556	—	2,110	358
1953.....	24,355,409	3.80	61.7	24.4	13.9	—	3.92	4.523	4.123	3.477	—	2,220	366
1954.....	25,666,979	3.80	61.9	7.1	16.3	14.7	3.35	4.106	3.706	3.206	3.029	2,163	396
1955.....	26,831,726	3.72	62.7	7.2	12.8	17.3	3.48	4.209	3.809	3.312	3.133	2,081	430
1956.....	28,016,984	3.73	61.6	8.3	12.4	17.7	3.86	4.811	3.951	3.382	3.205	2,049	456
1957.....	27,823,794	3.64	66.3	7.4	15.3	11.0	3.71	4.392	3.992	3.492	3.068	1,905	487
1958.....	27,893,568	3.66	64.2	7.0	9.9	18.9	3.40	4.069	3.669	3.269	2.847	1,816	512
1959.....	29,782,303	3.64	69.8	7.9	4.0	18.3	3.62	4.307	3.907	3.493	2.873	1,760	564

Imports of Some Varieties of Cheese Increased

Before World War II, U. S. foreign trade in dairy products was largely uncontrolled except for import duties. During World War II international trade in dairy products generally was disrupted. Substantial exports, of course, were made by the United States to provide assistance to our Allies, primarily for the account of the United States Government.

Import restrictions, first placed on dairy products early in 1942, were main-

tained for the first few years after the war. Dairy product imports were generally free of controls from January 1, 1948 through August 8, 1951. But imports by the U. S. continued at a low level because of shortages of the products abroad relative to demand. Import controls on several items were reestablished on August 9, 1951, under authority of the Defense Production Act of 1950. Outright embargoes were set on imports of some commodities, notably butter, but generally quotas were administered through

licensing arrangements. In 1953, Section 22, of the Agricultural Adjustment Act, as Amended, was invoked to continue import regulation of dairy products; under this authority the level of imports of items under control cannot be set at levels under 50 percent of those of a base period, when imports were not controlled. Imports of items under quota are administered by the licensing of importers who have histories of base period importations.

Consumption of Whole Milk Above A Year Earlier

Supplies of whole milk generally have been ample for fluid milk outlets for several years. The quantities actually consumed are influenced mainly by the level of consumer incomes and the prevailing retail prices for milk. These retail prices have increased each year since 1953, and in the last three years they

have set successively new record high levels. Nevertheless, with the general up-trend in real incomes of consumers, consumption of whole milk per person has approximately held its own, or increased slightly. Consumption of cream again declined in 1958 and 1959. Heavy unemployment in some areas during 1958

caused a drop of about 1 percent for the years as a whole, in the combined consumption of milk and cream compared to 1957. Data so far in 1959 indicate consumption of fluid milk and cream combined has been a little larger than a year ago on a total basis, though probably about the same per capita.

Changes in Factory Output of Dairy Products Varies

With the quantity of milk produced in the first four months of this year essentially the same as a year earlier, and with a little greater use in fluid milk outlets, slightly less in total has been available for manufacturing. This reduction, however, has not shown up in a uniform change in output among products containing milkfat, only creamery butter has shown a significant decrease. It was down 4 percent in the first four months of 1959, compared with a year earlier. Production of American cheese was the

same as last year, and production of other cheese was slightly greater. Production of canned sweetened condensed milk exceeded that of a year earlier by 8 percent and canned evaporated milk was up 2 percent. Data are not available for bulk evaporated and condensed whole milk. Production of ice cream and other frozen dairy products showed substantial increases over the year earlier—7 percent for ice cream, 6 percent for ice milk, and 10 percent for mellorine-type frozen desserts.

Production of nonfat dry milk has been reaching successively new high levels every year, beginning with 1953. From October, 1958 through March, 1959 it ran lower than a year earlier. But in April it turned upward, and for the first four months of 1959, it was lower than a year earlier by less than 1 percent. Since the percentage of milk production sold by farmers in whole form is likely to increase again this year output of this product may well show another increase for the year as a whole.

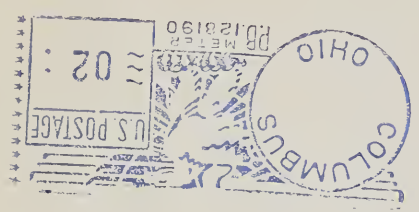
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Some Recent Developments
In Canadian Dairy Industry

In Canada the increase in production of milk per cow for the past several years has been close to the increase recorded by U. S. farmers. But in Canada the number of milk cows increased steadily from a postwar low in 1951 to 1957. A slight down-turn occurred in 1958. By way of contrast, the number of milk cows in the United States declined each year from 1944 through 1958, except in 1953. From 1952 to 1958 total production of milk increased 18 percent in Canada and only 9 percent in the United States.

Cheese consumption increased steadily in Canada, and, as in the United States, reached a new record high in 1958. Consumption of fluid milk and cream has been in the neighborhood of 400 pounds per person for the last decade, about the same as pre-World War II, but below the wartime high.

The two dry milks are the only items exported in volume by Canada. Exports of dry whole milk increased to a new high record in 1958—17.5 million pounds. Production in 1958 was 19.7 million pounds, although this was a drop of 4 million pounds from the record 1957 level. Exports of nonfat dry milk also reached a record in 1958, but substantial efforts by the Government were employed to achieve this level.

Market Quotations

June
1959

12 MIDWEST CONDENSERIES 3.5% per Cwt.	\$2.908
5 CONDENSERIES (Cincinnati) 3.5% per Cwt.	2.7600
5 CONDENSERIES (North Central Ohio) 3.5% per Cwt.	2.767
2 CONDENSERIES (Toledo) 3.5% per Cwt.	2.738
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	2.800
Evaporated Milk Code Price, 3.5% per Cwt.	2.745
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati)	3.0089
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	2.993
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton)	3.017
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo-Tri-State)	2.891
Average Weekly Cheddars price per lb.	.3100
Average price per lb. non-fat dry milk solids, roller process delivered Chicago	.13500
Average price per lb. 92-score butter at Chicago	.57974
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1260

N BEEF CATTLE
TLOOK
(from page one)

will show only slight increases for the next year or two, and increases will be much smaller than they would be if cattle prices, as well as hog prices, were to decline in the near future.

The average price for milk cows has increased to the highest level of record since 1951. This reflects primarily the increase in the carcass value of dairy animals stemming from the rise in beef prices. Comprehensive data on prices paid by farmers for milk cows strictly for milk producing purposes are available for only small areas of the country. From January 1957 to January 1959, prices paid by farmers in southern New England for fresh cows or close springers increased from \$253 to \$336 per head,

and the value of such a dairy animal for slaughter increased from \$113 to \$195, based on the price of live cutters and canners at the Chicago wholesale market. The difference between these two values, over a period of time generally reflects farmers' estimates of the average value of milk cows for milk producing purposes. This difference dropped from \$140 for 1957 to a recent record low of \$118 for 1958, then increased to \$141 on January 1, 1959. The reduction in 1958 was due rather more to a lag in the adjustment of milk cow prices to the sharp rise in price of beef cattle than to a drop in farmers' appraisal of the value of the animal for producing milk. Nevertheless, the 1958 rise in the price of beef obviously induced a much larger number of milk cows to slaughter that year than in each of the several years preceding.